

- Alive & Not Missing in Action Certification Update

- 1 Power of Attorney Requirements
- 2 Question and Answers of the Month

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St. Paul Loan Notes



Helping Our Nation's Heroes Obtain the American Dream

A Monthly Information Newsletter for Real Estate Professionals and Lenders

From the Loan Production Staff

Welcome to the 3rd edition of the St. Paul Loan Notes. As many of you are aware, a large number of service members that are currently serving on active duty or are part of a mobilized unit of the Reserves/National Guard have been deployed to various parts of the world. This in turn may mean that the service member may not be able to attend the closing of his/her home loan. The borrower's absence at the loan closing does not mean the loan cannot close but instead that additional documentation may be required. In this edition of the St. Paul Loan Notes, we will address the Power of Attorney and Alive & Not Missing in Action documentation requirements for deployed service members.

If you should have any comments, questions or concerns you can contact us by e-mail at RLCTT@vba.va.gov or call us at 1-800-827-0611 ext 3716. This publication is designed for you so if you have any specific topic or questions you would like addressed, please let us know.

St. Paul Regional Loan Center
Quality/Training Team

Power of Attorney Requirements

When a borrower has been called up for deployment abroad, the veteran often completes a General Power of Attorney that was made up by the borrower's unit on his/her behalf. In some cases, this General Power of Attorney may be acceptable documentation to complete the loan transaction. For the borrower to use a General Power of Attorney, the veteran's signature must be on both the sales contract and the Uniform Residential Loan Application (URLA).

If the veteran borrower did not sign the URLA and the purchase agreement, a Specific Power of Attorney or other document(s) signed by the veteran would need to be provided. The documents need to encompass the following elements: borrower's intention to use his/her VA entitlement, purpose of the loan, property identification, price and terms of the transaction, and the borrower's intention to occupy the property.

As discussed during the March 16, 2005, Satellite Broadcast, if the lender is unable to obtain a Specific Power of Attorney, an e-mail from the veteran borrower indicating the specifics of a Special Power of Attorney in addition to the General Power of Attorney would be sufficient documentation to complete the loan transaction.

Alive & Not Missing in Action Certification

In addition to the power of attorney requirements, the lender must certify that the service member is alive and not missing in action. This certification can be found in Chapter 9.7b of the VA Lender's Handbook.

The lender must always verify that a veteran is alive at the time of loan closing, whether or not the veteran is still in the military. Due to recent military actions, it may be more difficult to obtain an Alive and Well certification for service members who are deployed. The March 16, 2005, Satellite Broadcast announced that for service members that are deployed, an e-mail certification that the service member is alive and not missing in action is acceptable, but the e-mail must be identifiable that it came from a military installation or marine vessel.

In some circumstances, the borrower's unit may have gone "silent" or the unit's communication has been "cut off." If the lender is unable to obtain the Alive & Not Missing in Action Certification, VA will accept documentation of the lender's efforts and go ahead and guaranty the loan. The documentation must demonstrate that the lender made a good faith, bona fide effort (i.e., contacted home base of deployed service member, copy of returned e-mail, etc). It is not sufficient for a lender to just note that "...the service member's spouse said he/she can't contact her/him."

Question Forum

Q: I need to fax a request to determine if a veteran borrower is exempt from the funding fee? What form do I need completed and where do I fax the form?

A: To determine if a veteran borrower is exempt from the funding fee, you need to send a completed VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, to the St. Paul Regional Office, Finance Section. You can obtain the form online at:

<http://www.va.gov/vaforms/>

Please fax your request to the Finance Section, at 612-970-5635. If you should have any questions, please call them at 612-970-5612 or 5621.

Q: We have a co-borrower who is a traveling nurse. She currently works in another state and will be moving to Wisconsin with the veteran. We must use her income to qualify. Her employer places her as a traveling nurse nationwide. She has a history of this type of work. Her current contract ends in April, they will be closing the loan in February 2006. The staffing agency cannot produce another contract until March 2006. This is not a temporary agency position, rather a traveling nurse placement service. With the high demand in this industry what would we need to close this loan?

A: Income from trailing spouses can generally not be considered and in this instance the spouse does not have a contract for employment in the new location before closing. However if you, the lender, can document a demand in the new location for the spouse's profession the underwriter may consider using the income to offset some obligations with the potential income. Use of this income in any form should be considered on a case-by-case basis with regard to the actual type of work and be sure all information is documented in the remarks section of the VA Form 26-6393, Loan Analysis.

Q: I have had VA home loans in the past. I'd like to know if there are any VA loans for business purposes. My wife and I have an existing business and would like to expand.

A: VA has no business loan program for veterans. However, you may want to check with a local lender about a small business loan through the Small Business Administration (SBA). SBA provides a number of services to assist veterans who own or are considering starting small businesses. Among the services provided are business training, counseling, mentoring and loan guarantees. Under SBA's Loan Guaranty Program, loans are provided by banks or other lending institutions with SBA guaranteeing up to 85% of the total amount. Information about SBA's full range of programs and services for veterans can be found on the Internet at: <http://www.sba.gov/VETS/> or by contacting veterans affairs officers at SBA field offices. Call 1.800.827.5722 to locate the nearest SBA office.

Q: I had a difficult time logging on to the VA Funding Fee Payment System (FFPS) website yesterday. I tried logging in too many times and the system has kicked me out. Can you please reset my password information?

A: In order to get help with the FFPS web site, you must contact the FFPS help desk. The customer service phone number is 1-800-624-1373, option 2 or you can reach them by e-mail at pay.gov.clev@clev.frb.org. We are unable to reset FFPS passwords here at the St. Paul Regional Loan Center. We can only reset passwords for the Veteran's Information Portal (VIP) at our office.

Q: My husband and I had used the VA loan program before for a 2 flat when we lived in it. We have since paid that off and moved into a single family home and are using a conventional loan. We do not have a lot of equity on the property but were interested in purchasing a two, three, or four flat for added income. Can we use a VA home loan for this? Or do we need to live in the property?

A: The basic tenet of a VA Home Loan is occupancy and it is required on all uses so in the scenario you explained you would have to occupy one of the units as your primary residence.

Q: When processing a VA loan, does VA require a 30 day bank statement with a Verification of Deposit (VOD) or is just the VOD acceptable for verifying the veterans funds to close?

A: For manual underwriting, VA requires a VOD (not more than 120 days old from closing or 180 for new construction) OR the applicant's last two bank statements OR the borrower's bank statements available to them by Internet or faxed from the depository directly to the lender. In cases where the lending institution uses Internet based verifications, ensure the URL appears on the document. (Chapter 4.4 of the VA Lender's Handbook.)

Q: Can non-taxable income such as Basic Allowance for Subsistence (BAS), Military Housing Allowance (BAH), or VA service connected compensation be grossed up?

A: Non-taxable income can be grossed up for determining the debt-to-income ratio only. When calculating the borrower residual income on VA Form 26-6393, Loan Analysis, Item 39 must list the actual income, not the grossed up figure. Grossing up 15 – 20 percent would be considered acceptable.